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Intelligence Memorandum

Venezuela: Emerging on the World Scene

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Summary

President Carlos Andres Perez, a shrewd, energetic, self-made career politician with strong charismatic appeal, has taken advantage of his country's growing nationalism and prosperity to emerge as the unchallenged political leader at home. Abroad, he has presented himself as a hemispheric spokesman. Venezuela's position as a founding member of OPEC has thrust that country nearer the world's power center and into incipient confrontation with the US.

Now into his second year in office, Perez has given high priority to defining a new working relationship with the US, using as a starting point Venezuela's role as a traditional and reliable supplier of petroleum. At the same time, political and economic ties with Latin and Third World countries are being intensified. Venezuela sees its interests served by pursuing a foreign policy that allies the country with the interests and aspirations of developing countries vis-a-vis the industrialized world. It will not go so far, however, as to jeopardize its relations with the US—the main market for Venezuelan petroleum.

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An Auspicious Beginning

Under the aggressive leadership of President Carlos Andres Perez, Venezuela is rapidly becoming a hemispheric power. It is utilizing some of its oil revenues to propel its ambitious drive to assert leadership in Latin American political and economic affairs and to expand its influence in the Third World. Despite the anti-US tone of President Perez' vigorous efforts to establish a "new international order," he has indicated receptivity to a dialogue that would lead to a new definition of relations between the two countries.

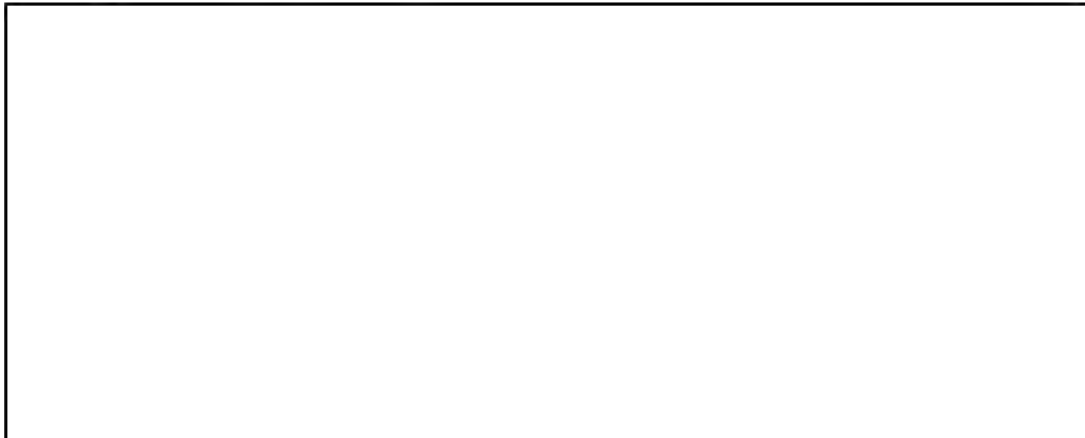
Venezuela's new assertiveness stems from rising nationalism and a new-found wealth resulting from its position as one of the world's major petroleum exporters. The belief that oil revenues are a temporary phenomenon is at the heart of its strong promotion of high international oil prices. Venezuela has categorically rejected classification with the rich countries; instead it identifies wherever possible with commodity-producing LDCs. Carrying this line to its logical conclusion, Venezuela also insists that high oil prices are not the root cause of the present world economic problems. Rather, it pictures the present structure of the world economic order as one that discriminates against all commodity-supplying nations, including oil producers.

To win support for this interpretation, Perez has personally initiated bilateral contacts with all Latin and Caribbean countries and has also sought a wider role for Venezuela among the non-Latin nations of the Third World. By joining the vanguard of the "poor" against the "rich," Perez hopes to deflect criticism of Venezuela's oil-based wealth and the prominent role it has played in working toward higher petroleum prices in OPEC and in defending these increases in world forums. The Perez administration has apparently decided that its long-term political strategy is better served by identification with the LDCs, whether in Latin America or elsewhere.

The Leading Architect

In contrast to previous administrations, in which the foreign minister usually played an influential if not dominant role in the formulation and execution of foreign policy, President Perez is the major force behind recent diplomatic initiatives. Foreign Minister Ramon Escovar Salom and his predecessor, Efrain Schacht, have been little more than executors of decisions made in the presidential palace. Perez has ordered a reorganization of the Foreign Ministry to reflect the nation's increased international commitments and its position as a major oil exporter. Petroleum attaches are being assigned to most major countries, and diplomatic relations are being expanded on the African and Asian continents.

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Venezuelan - Latin American Relations

In recent months Perez has launched a strenuous diplomatic offensive in Latin America aimed at strengthening political and economic relations and convincing others of the need for more economic regional cooperation. He has succeeded in broadening Latin America's alertness to issues affecting the region and has infused new vitality into the drive for new modes of regional cooperation designed to free the area from dependence on the US. He was instrumental in the recent decision by ten Latin American nations to form a multinational merchant fleet, a move that will increase competition for foreign ship operators in the region. Earlier, Perez played a prominent part in the Ayacucho sesquicentennial celebrations in Peru last December and hosted a meeting of Central American presidents in Venezuela the same month. Recently he has proposed a meeting of all Latin American chiefs of state sometime later this year. Perez has sent personal emissaries to most Latin American countries to lobby for a Latin American economic organization that excludes the US. In return, he is receiving a growing number of high-ranking foreign visitors.

In March, following a "triumphal" return from the conference of OPEC chiefs of state in Algiers, he visited Mexico and later participated in a mini-summit in Panama City with leaders of Colombia, Panama, and Costa Rica, taking advantage of his visit to pledge Venezuelan solidarity with Panama in the canal negotiations. Further official visits in the hemisphere are under consideration, and at least one, to Bolivia in August, has already been announced. These activities demonstrate Caracas' new interest in Latin America as a potential "sphere of influence" that can be achieved through vigorous diplomacy and a moderate outpouring of financial credits and assistance. Venezuela contrasts this involvement in Latin American problems with what Venezuelan leaders describe as US disinterest.

Besides providing large sums partly for development assistance to international lending agencies, Venezuela has negotiated petroleum-related agreements with some Latin countries intended to ease their balance-of-payments

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difficulties in part caused by the high cost of imported oil. Although some Venezuelans describe these offers as an example of one Latin brother helping another, it is clear to the recipients of this assistance that they will come under some pressure to follow Caracas' lead in a variety of hemispheric political affairs. Caracas has also proffered assistance and advice on setting up a coffee stockpile by Central American countries producing coffee that is particularly vulnerable to price fluctuations in the international market. Venezuela sees itself as a leader in the region and one that the US must deal with on the basis of equality.

In its foreign policy, Venezuela assigns a high priority to the Caribbean, especially with the diplomatic and economic isolation of Cuba drawing to an end. The Venezuelans look upon the Caribbean as "mare nostrum." They also view it as the best alternative for their country's maritime aspirations and as an appropriate balance for its relations with the South American continent and its ties with the Andean Pact countries. The Venezuelan foreign minister has recently created an office dealing with Caribbean affairs to sharpen the focus of government activity in the area. Key elements of this policy include the expansion of trade and investment, formation of closer cultural and political ties with all states whether Spanish-speaking or not, and assertion of a Venezuelan role as a champion of the interests of the smaller states vis-a-vis the world's great powers, especially the US. This policy may also be intended to pre-empt an expected increase in Cuba's role in the Caribbean.

Venezuela intends to foster these ties even in the face of opposition by other potential political leaders of the region, such as Trinidad's Prime Minister Eric Williams and the Dominican Republic's President Balaguer. A major factor turning Venezuelan attention toward the Caribbean may be a perception that the gradual withdrawal of the British and the Dutch from the area is leaving a vacuum. Indeed, there have been complaints in the larger English-speaking islands and also in the Netherlands Antilles that Venezuela is trying to gain an economic foothold in the smaller islands in such areas as petroleum refining in the Antilles, bauxite processing from Jamaica and Guyana, sales agreements with Surinam, and petroleum exploration. The Venezuelans are being careful, however, not to offend and are stressing the mutual advantages that can accrue from joint ventures.

Nevertheless, charges of "imperialism" leveled at Caracas have stung Venezuelan officials, who have denied that the Perez administration harbors any aggressive designs on the islands or that it has any colonial ambitions. To ease their fears, Caracas cites the fact that it is attempting to negotiate border disputes with neighboring Colombia and Guyana and a territorial sea dispute involving possible oil-bearing deposits with the Dutch Antilles.

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A Wary Response

Latin American reaction to Venezuela's leap into regional affairs is ambiguous and often contradictory. The Latins fully enjoy it when one of their own is able to tweak the US repeatedly on issues that have long been outstanding. They also recognize that Venezuela appears ready to provide them with some credits, mostly at near commercial rates. Most applaud Caracas' attempts to forge Latin cooperation and unity, but some resent Venezuela's patronizing airs and its tendency to arrogate to itself the right to speak for the hemisphere. Not a few Latins have privately criticized Venezuela for "wielding a big stick," and most look down on Venezuelans as being "too Caribbean."

Most Latins probably will conclude that Venezuela now harbors no imperial designs on the continent; they question whether this will always be the case. Nevertheless, there is no indication that the Latins are prepared to translate their private concerns into an open expression of discontent because of their need for low-priced oil and credits. Privately, there is concern that Venezuela's oil wealth and its support of OPEC's high pricing policies may draw them into some future dispute where Latins would be forced to choose between supporting the US or siding with a fellow Latin nation.

Perez and the United States

Having made his political career in the rough and tumble of Venezuelan party politics, Perez believes that he must be equally tough in foreign affairs. The temptation, therefore, to seek out a dramatic confrontation with the US is politically almost irresistible. In encounters with the US over the removal of Cuban sanctions, petroleum pricing policies, and the US Trade Reform Act, Perez has relished his assumed role of David against the US "Goliath."

Perez insists that US-Venezuelan relations must be firmly grounded on US recognition that Venezuela is no longer a weak and unstable democracy, but that it is strong and has a growing economy fueled by a commodity vital to the US.

While criticizing the US for its policy shortcomings and broken promises, Perez frequently reminds Washington of Caracas' historic ties of trade and friendship and its role as a reliable supplier of petroleum during the Arab boycott—a role he says he is prepared to play again should it become necessary. Perez is also aware of his own limits. He probably knows that in the final analysis he needs the US oil market at a time when the US is diversifying sources of supply. Yet despite this fact, Perez has made it clear that Venezuela is prepared to use its leverage—as an important and reliable supplier of petroleum—as a major negotiation instrument to obtain economic

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and commercial benefits as well as needed modern technology for its economic development program.

Perez has responded favorably to US proposals for preliminary working-group talks to reduce or eliminate problems that have disturbed relations in recent months. These discussions have not yet focused on such substantive issues as oil prices, the US Trade Reform Act, and Venezuela's strong backing for a new and exclusively Latin American economic system. But several meetings held thus far in Washington were viewed very positively by Venezuelan officials. They are pleased that an attempt is being made to listen to their problems and that the US is willing to work out a new understanding.

Because Venezuela has been a long and reliable supplier of oil to the US, Perez and others believe that Venezuela deserves more than high prices and an assured market. What Caracas really seeks from the US is technological cooperation in developing new petroleum fields before the present conventional reserves run out some twenty years hence. Declining reserves will eventually require development of the Orinoco Tar Belt, which is said to contain about seventy billion barrels of recoverable heavy oil. Foreign technology, particularly of the type possessed by US petroleum firms, will be required to tap this wealth. Perez is also seeking access to US markets for non-traditional exports such as metal products and petrochemicals to diversify Venezuela's economy and lessen its dependence on petroleum sales. In return, Perez probably would be prepared to discuss a long-term petroleum supply and pricing arrangement. Unrealistically convinced that Caracas holds the advantage, Perez will be a hard bargainer, but not intractable.

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